



**STATE OF MISSISSIPPI**  
HALEY BARBOUR, GOVERNOR  
**MISSISSIPPI DEVELOPMENT AUTHORITY**  
LELAND R. SPEED  
EXECUTIVE DIRECTOR

**Financial Audit Findings**

January 28, 2005

Mr. Phil Bryant, State Auditor  
Office of the State Auditor  
State of Mississippi  
Post Office Box 956  
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

This letter is in response to your letter of December 8, 2004 concerning the Financial Audit Findings for the Mississippi Development Authority (MDA) for the fiscal year ended June 30, 2004. We are pleased to note that no matters involving the internal control over financial reporting and its operation were considered to be material weaknesses. Our responses to the two immaterial weaknesses noted are as follows:

Controls Over Expenditures Should be Strengthened

Response:

MDA concurs that reviews performed by grants accounting personnel should be documented. Cash requests are entered into MDA's Grants Management System that electronically submits the information to the Statewide Automated Accounting System to produce a payment voucher. The Grants Management System requires a security password; therefore only authorized personnel have access to initiating these payments.

Corrective Action:

Grants accounting personnel have been reminded that their review of request for cash and reporting worksheets should be documented by initialing the forms. Staff who review payment vouchers prior to submitting for signature will also be reminded that the supporting requests should be initialed by grants accounting personnel.

Controls Over Network Security Should be Strengthened

Response:

MDA concurs that network security could be compromised if proper access controls are not in place.

Corrective Action:

MDA has corrected all noted instances of noncompliance. In addition, our employee separation process has been updated and we have implemented templates for user password accounts. The updated procedures and templates have been provided to the auditors.

We appreciate the professional manner in which the audit team conducted this audit. If you have any questions concerning this response, please contact Donna Sanford at 359-2911.

Sincerely,

A handwritten signature in cursive script that reads "Terri Hudson".

Terri P. Hudson  
Chief Financial Officer



**STATE OF MISSISSIPPI**  
HALEY BARBOUR, GOVERNOR  
**MISSISSIPPI DEVELOPMENT AUTHORITY**  
LELAND R. SPEED  
EXECUTIVE DIRECTOR

**Single Audit Findings**

March 14, 2005

Mr. Phil Bryant, State Auditor  
Office of the State Auditor  
State of Mississippi  
Post Office Box 956  
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

This letter is in response to your letter of January 28, 2005 concerning the Single Audit Findings for the Mississippi Development Authority (MDA) for the fiscal year ended June 30, 2004. We are pleased to note that no reportable conditions were considered to be material weaknesses. Our responses to the four non-material reportable conditions are as follows:

| CFDA Number and Program Name |                       |
|------------------------------|-----------------------|
| 17.258                       | WIA Adult Program     |
| 17.259                       | WIA Youth Activities  |
| 17.260                       | WIA Dislocated Worker |

Federal Award Number and Year: Various

04-10      Controls over Reporting Should be Strengthened

Response:      MDA concurs that amounts reported on quarterly financial status reports should be reconciled and supporting documentation maintained.

The Workforce Improvement Act (WIA) requires fiscal reporting on an accrual basis. Most WIA grantees and subcontractors use cash basis systems and have been slow to institute accrual reporting. This results in under reporting expenditures. The previous Director of the Employment Training Division (ETD) made adjustments to the reports using estimates based on his knowledge of the contracts awarded. There were no written reconciliations or supporting documents filed.

Corrective

Action Plan: Under the new management at MDA, this methodology was deemed inappropriate for the very reasons cited in the finding. New controls and a new process were implemented. Reports are required to be consistent with the accounting records and adjustments if any, must be supported by tangible documentation. Approval of the ETD Director, MDA Deputy Director and MDA Chief Financial Officer is required prior to submission of reports.

CFDA Number and Program Name

14.239 HOME Investment Partnerships Program

Federal Award Number and Year: Various

04-11 Controls Over Subrecipient Monitoring Should be Strengthened

Response: MDA concurs that supervisory reviews should be performed on monitoring workpapers and reports to ensure completeness and propriety. This review should ascertain that monitoring responses are received in a timely manner and all files are obtainable.

Corrective

Action Plan: MDA has policies and procedures for subrecipient monitoring. Efforts will be made to ensure that all monitoring documents are adequately completed and filed in accordance with agency policy. In addition, subrecipients' monitoring responses not received within thirty days will be issued a second request.

CFDA Number and Program Name

17.258 WIA Adult Program  
17.259 WIA Youth Activities  
17.260 WIA Dislocated Workers

Federal Award Number and Year: Various

04-12 Controls Over Monitoring Subrecipient Audit Requirements Should Be Strengthened

Response: MDA concurs with the finding. As part of MDA's monitoring activities, audit reports were obtained at the time of the on-site review. No specific management decision letters were prepared; however, as part of the monitoring activity any noncompliance issues were documented in the work papers and disclosed in the monitoring report.

Phil Bryant, State Auditor  
March 14, 2005  
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Corrective

Action Plan: MDA will revise its procedures to receive and date stamp audits directly. Audits will be reviewed and a Management Decision letter provided to the subrecipient or contractor. MDA will maintain an audit tracking system, which includes the following:

1. Subrecipient or contractor audit with received date stamped
2. Expenditure tracking document
3. The Audit Review Checklist with review signatures and dates
4. A copy of the Decision Letter sent to the subrecipient or contractor

CFDA Number and Program Name

14.239 HOME Investment Partnerships Program

Federal Award Number and Year: Various

04-13 Controls Over Period of Affordability Inspections Should be Strengthened

Response: MDA concurs that procedures should ensure that the period of affordability inspection tracking document is proper and period of affordability inspections are conducted in compliance with federal regulations. Procedures should also require supervisory reviews and properly maintained files.

Corrective

Action Plan: MDA's review of the current tracking system revealed that the system does not fully allow for the identification of when on-site inspections should occur. As a result, additional safeguards will be used to ensure timely reviews. A complete inventory of files is being performed. In addition, responsibilities have been reviewed with staff to clarify duties.

We appreciate the professional manner in which the audit team conducted this audit. If you have any questions concerning this response, please contact Donna Sanford at 359-2911.

Sincerely,



Terri P. Hudson  
Chief Financial Officer



**STATE OF MISSISSIPPI**  
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LELAND R. SPEED  
EXECUTIVE DIRECTOR

**Other Audit Findings**

March 14, 2005

Mr. Phil Bryant, State Auditor  
Office of the State Auditor  
State of Mississippi  
Post Office Box 956  
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

This letter is in response to your letter of January 28, 2005 concerning the Other Audit Findings for the Mississippi Development Authority (MDA) for the fiscal year ended June 30, 2004. Our responses to the two Other Audit Findings are as follows:

CFDA Number and Program Name

14.239 HOME Investment Partnerships Program

Federal Award Number and Year: M01-SG-28-01, 2001

Oth-4 Controls Over Monitoring Subrecipient Audit Requirements Should be Strengthened

Response: MDA concurs that there should be adequate reviews of subrecipient audit reports to ensure proper reports are received. After agency personnel were made aware that a financial statement rather than a single audit was accepted for the subrecipient, a request to the subrecipient for a single audit was made. MDA has continued to follow-up with the subrecipient on this matter.

Corrective

Action Plan: MDA will require adequate review over subrecipient audit reports to ensure any errors or omissions are properly detected. MDA will document in the audit file all correspondence and follow-up with subrecipients to obtain adequate information.

Phil Bryant, State Auditor

March 14, 2005

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CFDA Number and Program Name

17.258 WIA Adult Program

17.259 WIA Youth Activities

17.260 WIA Dislocated Workers

Federal Award Number and Year: Various

Oth-5 Controls Over Subrecipient Monitoring Should be Strengthened

Response: MDA concurs that on-site monitoring visits should be conducted in accordance with established procedures.

Corrective

Action Plan: MDA now has procedures in place to ensure that each subrecipient and contractor is monitored appropriately during each program year. The Employment Training Division will continue to refine its monitoring procedures to ensure adequate monitoring.

We appreciate the professional manner in which the audit team conducted this audit. If you have any questions concerning this response, please contact Donna Sanford at 359-2911.

Sincerely,



Terri P. Hudson  
Chief Financial Officer